

Is it Ethical to Shop at Wal-Mart?

A Transcript of Jeffrey Seglin's Remarks

A case for why it can be ethical to shop at Wal-Mart:

I'm not an apologist for Wal-Mart. I live in the city of Boston and we don't have Wal-Marts. In order to see a Wal-Mart, I had to get my grandson to take me to a Wal-Mart about 40 minutes south of the city last week. My grandson buys his video cards at Wal-Mart. I had to decide whether or not my grandson was ethical in shopping at Wal-Mart. I'd like to look at the question in terms of a couple issues.

First, I had written a column a while ago about Parmalat milk. Parmalat is involved in a terrible scandal right now. The scandal was awful and involved the whole family of products. Parmalat also makes Archway cookies. I used to eat these cookies on my way to the bowling alley as a young person. I really like Archway cookies. I had to decide whether I should boycott Parmalat and not buy and eat Archway cookies. The determination I came to can be used in deciding whether or not to shop at WalMart. It is based on the question of what are my values. If my values are such that I don't care about whether the company has a progressive policy in terms of health care benefits for their employees, then it is perfectly fine to buy the product in question. If my values are such that it is the only product I can afford to buy due the economical class I happen to be in, then, that is a choice I've made based on my values.

If it's a choice that I make because I don't look at those issues&em;which is the choice many people make when they invest in mutual funds, and have no idea where their mutual funds are invested-there may be a problem. Yet, many vocal opponents to shopping at Wal-Mart might discover they hold investments in the Wal-Mart. There are 850 mutual funds that are invested in Wal-Mart, some of the largest mutual funds. There are many people who have no idea where their investments lie. If you want to be true to your value against shopping at Wal-Mart, you need to be careful to remove yourself from investments that support Wal-Mart. You have to review your investments and find out where your money is invested. John Kerry's wife, Teresa Heinz was a vocal critic against Wal-Mart, only to find she had one million dollars invested in the company. She held stock in a company of which she was critical. This provides insight into the idea that you have to work hard to consider your values in particular issues and how strongly you do feel.

I once worked with a man named Jerry Useem who now works at Fortune magazine. Regardless of what you think of Wal-Mart, Wal-Mart is continually voted as one most admired companies in America by Fortune.... This is how Jerry began the article he wrote this year in Fortune:

There is an evil company in Arkansas, some say. It's a discount store-a very, very big discount store-and it will do just about anything to get bigger. You've seen the headlines. Illegal immigrants mopping its floors. Workers locked inside overnight. A big gender discrimination suit. Wages low enough to make other companies' workers go on strike. And we know what it does to weaker suppliers and competitors. Crushing the dream of the independent proprietor-an ideal as American as Thomas Jefferson-it is the enemy of all that's good and right in our nation.

There is another big discount store in Arkansas, yet this one couldn't be more different from the first. Founded by a folksy entrepreneur whose notions of thrift, industry, and the square deal were pure Ben Franklin, this company is not a tyrant but a servant. Passing along the gains of its brilliant distribution system to consumers, its farsighted managers have done nothing less than democratize the American dream. Its low prices are spurring productivity and helping win the fight against inflation. It is America's most admired company.

Weirdest part is, both these companies are named Wal-Mart Stores Inc. ¹

You see a dichotomy here. The other thing to look at in terms of company values is philanthropic work. Last year, Wal-Mart gave \$140 million to local nonprofit organizations in its philanthropic work. In addition, to being named to the Fortune list, Wal-Mart has been presented with the Ron Brown Award for Corporate Leadership that recognizes companies with outstanding achievement in employee and community relations. These awards obviously fly in the face of the evil Wal-Mart. In 2002, Forbes magazine recognized Wal-Mart as being one of the most philanthropic companies in America. In 1999-2000, Americans named Wal-Mart as the company they think is first in supporting local causes and issues. According to the Foundation Center, Wal-Mart ranked among the top five corporate foundations in giving in 1999 and 2000.

There is also one other thing I'd like to read. In addition to writing a column, I teach at Emerson College in Boston. There is a book, *How Cities Work* by Alex Marshall, which I quote to point out that the issue with Wal-Mart is not a new one. I will read a passage to give you historical context:

Before World War II, the country made some effort to stop discount and chain stores and to protect smaller merchants. The fair-trade laws of the 1920s allowed manufacturers to set minimum prices for goods, thereby prohibiting deep discounts by stores in attempts to gain customers.

The Wal-Mart, Target, Super K-Mart, and other big box stores are the current stage of this evolutionary process toward fewer and bigger. Wal-Mart has come to symbolize the destruction of traditional downtowns and community. From its start thirty-five years ago, Wal-Mart now has stores in all fifty states (with the larger ones being over 200,000 square feet). In 1997, it had a U.S. workforce of more than 700,000 people and \$118 billion sales. The landing of these big boxes has become a symbol and sometimes an example of big, car-centered retail sucking the life out of Main Street businesses.

There's some truth in this, but this storyline ignores the last century of retailing. It's as if we went from the general store to Wal-Mart with nothing in between. Before Wal-Mart, there was the shopping mall, the strip center, and the fast-food restaurant on the out-parcel, all designed around the car....

How much are you willing to pay? There is ample evidence that warehouse-style supermarkets and stores deliver goods at lower prices. They also do so more impersonally, and with perhaps greater environmental and social and collateral damage. One of the often-unasked questions at

the heart of the debate over urbanism is how much Americans are willing to see prices rise on homes and the basic goods they buy in order to have a saner, more livable lifestyle. ²

In conclusion, I agree with the noted shortcomings of Wal-Mart. But, I don't think people can argue that it's unethical to shop at Wal-Mart, that anyone who shops at Wal-Mart is unethical or believe it is ethical to point the finger at those who do shop at Wal-Mart. I suggest everyone first check their values and then their investments, and they'll discover they probably are supporting Wal-Mart, a company they believe is evil, via 401Ks or mutual funds.

Works Cited

1. 2004 America's Most Admired Companies
Should We Admire Wal-Mart?
Some say it's evil. Others insist it's a model of all that's right with America. Who are we to believe?
Jerry Useem
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Fortune Magazine
 2. From "No Place Like Home/Community and the Marketplace" (p. 191 - 193) How Cities Work by Alex Marshall, University of Texas Press Austin, 2000.
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Notes from Bob Brownstein's Presentation

To answer this question, we have to make some decisions about our values --- specifically we have to identify those values on which we will judge an economy and its institutions and actors.

I'm assuming that this audience agrees that economies are human creations. As such they are based on one set of values or another, and we cannot escape from making normative choices about how economies should function. Even supporting laissez-faire represents a value choice.

Having been invited to participate on this panel has pushed me to organize and clarify my own thinking about economic values and after such reflection, I am willing to offer my own rough set of personal standards. Once I state what these standards are, we can then compare WalMart to these requirements.

I call my preferred economic model --- the shared prosperity system. It is based on the following major values.

1. Depending on the level of economic success of an economic system, it should provide for some basic level of material life for all people. That is - a basic standard of living. This level will change over time and circumstance. Fifty years ago, we couldn't give everyone access to a hip replacement. Today, we can. Our objective in setting this level should be to avoid suffering, pain, degradation, sickness, premature death, etc. The

obvious components of the standard of living include food, clothing, shelter, medical care, etc.

2. The degree of inequality in society should be constrained. I derive this standard from two sources. One is sociological -- high levels of inequality yield discord, strife, and probably violence -- which are highly undesirable outcomes. Secondly, high levels of inequality violate a value of fairness because they negate the importance of that societal cooperation that makes the high rewards for some economic actors possible.

In other words, my wealth is a result of what I do and what a lot of other people do. If too much goes to me, they're being shortchanged.

3. Many improvements in technological and material prosperity are a good thing; they alleviate suffering. You can't make artificial hips available until someone figures out how to make these devices. Institutions that create such material improvements have ethical value.
4. I value the preservation of non-market institutions. The free market is an expansionist institution. It has the capacity to overwhelm other components of a culture and substitute its amoral framework for a host of existing ethical standards. From an ethical as well as a sociological perspective, I view non-market relationships and values as important -- such as the relationships between parents and children, priest and parishioner, citizen and state, resident and neighborhood or community, friend and friend. An unrestricted market weakens or destroys these non-market relationships and institutions and, hence, has unethical effects.

Now, let's look at Wal-Mart.

1. **Basic standard of Living.**

WalMart pays low wages and appears to aggressively seeks to keep wages down. On average, WM workers earn an estimated \$8.00/hour with a 32 hour work week. This equals \$256 a week or \$13,312 a year. The Federal poverty level for a family of three is \$14,630.

In contrast, union grocery workers earn on average 30% more.

Also, it is alleged that WalMart's personnel policies are aimed at keeping wages low. Charges have been made that older workers are laid off to bring in younger and cheaper employees. Some 40 lawsuits accuse WM of a failure to pay overtime. Accusations have also been made of widespread sex discrimination to keep a class of employees - women - at lower wages.

But WalMart is not just a threat to the standard of living of its own employees. It damages the standard of living of numerous others in the economy.

To begin with, it pulls wages and benefits down in other grocery stores. It lowers area standards. In some cases, it forces the closure of better paying firms. Business Week estimates for every WM supercenter that opens, two other supermarkets will close.

It pressures suppliers to make products more cheaply, putting pressure on wages, causing jobs to be moved overseas. Last year, it imported 12 billion in goods from China, 10% of US imports from that nation.

Benefits -- Health Care:

2/3 of WM workers can't afford to participate in the company health insurance plan, which costs about 20% of a worker's paycheck. Since 1993 WM has increased the premium cost for its workers by 200%, well above the rise in cost of health insurance.

Again, the effect spreads to competitors. Witness the Safeway strike. The costs of the southern California grocery strike can be considered a response to WalMart.

2. Inequality

WalMart is a major contributor to the creation of a US economy that is characterized by enormous numbers of people trapped in low pay, no benefit, dead-end service jobs.

During the 1980s and 1990s, with the exception of the very top of the boom, at the same time that the US economy was generating great wealth, it was also producing wage stagnation or declining wages, unprecedented inequality, and spreading poverty. Structurally, That was frequently called the hourglass economy.

Since then, with more growth of the bottom of the service sector plus the outsourcing of higher paid service and hi tech jobs, the hourglass is no longer accurate, and we're stuck with trying to devise a new metaphor. I've started to use one -- the Victorian gown economy. It has a smaller group of high paying jobs at the top, a corseted, thin middle class, and an enormous hoop skirt of low wage, no benefit service jobs at the bottom.

Within this economy, upward mobility both within generations and between generations is become increasingly rare.

In a recent Business Week article, titled "Waking Up from the American Dream," Business Week offers the following data: In 1978 --- among adult men whose fathers were at the bottom 25% of the population as ranked by social and economic status, 23% had made it to the top 25% in their lifetimes. In the first years of the 21st century, this figure has dropped to 10%.

BW attributes this to the "Wal-Martization" of the economy.

3. **Increased material and technological innovation and productivity.**

WalMart doesn't produce new technology or innovations that improve the quality of life. It takes business from existing firms by offering the same merchandise cheaper. That's all it does.

It does increase the wealth of shoppers by allowing them to buy things at lower cost. But the major expenditures of a family aren't for WalMart items; WM doesn't sell houses, cars, or health care.

How much does it help a family economically to shop at WM? Assume a low wage worker -- earning 20k a year and let's assume 20% of gross income is spent at WM or places where WM products are sold. WM grocery prices are 14% lower where WM competes. Savings would = \$50.00/month. Another approach: Take the figure of 20 billion in savings for consumers from shopping at WM per year. Divide by 110,000,000 households = 180/year. Multiply Times 5 to find the effect on WM competitors. The result is 900 divided by 12 = 75.

We're talking about savings of \$50.00 to \$75.00 per month.

We could do more to improve the economic well being of low income WM shoppers, and avoid the negative side-effect by simply increasing the minimum wage by \$1.00 an hour.

4. **Non-Market institutions.**

WalMart is both a cultural symbol and is an economic force that proclaims free market materialism uber alles. It destroys other institutions based on relationships of human connection and solidarity -- be they neighborhood businesses or unions. WalMart helps transform people into anomic creatures whose lives are dominated by the search for bargains -- at whatever social cost. The recent case in which a crowd of WM shoppers trampled a woman in their desire to purchase a \$29.00 DVD illustrates the WalMart impact on values.

The history of the last century has shown what we all suspected -- that the human species has extraordinary capabilities towards good or evil, nobility or depravity. WalMart fails the test as to whether it brings out the best in us.